

Message Text

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PAGE 01 MANILA 06144 01 OF 02 250251Z
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 H-01 L-03 SP-02
USIA-06 AID-05 EB-08 NSC-05 SS-15 STR-04 OMB-01
CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00
XMB-02 OPIC-03 LAB-04 SIL-01 PA-01 PRS-01 /104 W
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P 250151Z APR 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 8856

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 6144

USADB

PASS TREASURY FOR ZINMAN

E.O. 11652: ADS, DECLAS 4/25/78
TAGS: EAID, EFIN
SUBJECT: ASIAN DEVELOPMENT FUND DONORS MEETING

SUMMARY: ON APRIL 22 REPRESENTATIVES OF ADF DONORS MET IN MANILA TO DISCUSS THE STATUS OF THE CURRENT 1976-78 ADF REPLENISHMENT (ADF II). TREASURY DEPUTY ASSISTANT SECRETARY NACHMANOFF, U.U. DELEGATION HEAD, REPORTED ON PROSPECTS FOR A U.S. CONTRIBUTION TO ADF II. LAST PORTION OF MEETING CONCENTRATED ON POSSIBLE SECOND ADF REPLENISHMENT (ADF III) TO FINANCE CONCESSIONAL LENDING BEGINNING IN 1979. U.S. REP INDICATED IT WAS PREMATURE TO DISCUSS TIMING OR MAGNITUDE OF ANY U.S. CONTRIBUTION. JAPANESE OFFERED TO HOST ADF III DONOR MEETING IN LATE OCTOBER FOLLOWING PRESENTATION OF BANK STAFF STUDY OF RESOURCE NEEDS OF ADF BORROWERS AND RESULTING REPLENISHMENT REQUIREMENTS. END SUMMARY.

1. PRIMARY PURPOSE OF ADF DONOR REPRESENTATIVES MEETING, CHAIRED BY SIR JOHN CHADWICK, SPECIAL ASSISTANT TO ADB
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PAGE 02 MANILA 06144 01 OF 02 250251Z

PRESIDENT, WAS TO REVIEW STATUS OF CURRENT ADF REPLENISHMENT (ADF II). A NUMBER OF COUNTRIES INCLUDING SWEDEN, SWITZERLAND, AND NEW ZEALAND, INDICATED THEIR INTENTION TO FULLY PARTICIPATE IN ADF II. SWEDES, WHO HAVE NEVER CONTRIBUTED TO ADF, ARE NOW APPARENTLY EXCITED ABOUT PROSPECTS OF LENDING TO INDOCHINA. NACHMANOFF REVIEWED STATUS OF U.S. LEGISLATION INCLUDING LIKELIHOOD

OF \$25 MILLION CONTRIBUTION IN NEAR FUTURE TO ORIGINAL ADF RESOURCE MOBILIZATION. HE INDICATED STRONG SUPPORT OF CARTER ADMINISTRATION FOR IFIS AND REPORTED THAT SECRETARY BLUMENTHAL HAD TESTIFIED IN FAVOR OF ADB AUTHORIZING AND APPROPRIATIONS LEGISLATION. HE EXPRESSED OPTIMISM THAT SENATE WOULD SOON FOLLOW HOUSE IN APPROVING ADF II AUTHORIZING LEGISLATION. AS REGARDS MORE PROBLEMATIC ISSUE OF FY1978 APPROPRIATIONS, U.S. REP INDICATED ADMINISTRATION WAS MAKING EVERY EFFORT AND WAS HOPEFUL OF OBTAINING REQUESTED FUNDS BY OCTOBER 1, 1977. SIR JOHN CHADWICK CHARACTERIZED U.S. STATEMENT AND GENERAL ADF II POSITION AS ENCOURAGING.

2. SECOND PORTION OF MEETING FOCUSED ON POSSIBLE SECOND ADF REPLENISHMENT (ADF III). CHADWICK, NOTING THAT ONE YEAR HAS GENERALLY BEEN NECESSARY FOR COMPLETION OF NEGOTIATIONS AND THAT BANK WOULD LIKE INSTRUMENTS OF CONTRIBUTION DEPOSITED BY JANUARY 1, 1979, SUGGESTED THAT FIRST DONORS MEETING BE HELD IN LATE OCTOBER. UK REP SUGGESTED AND JAPANESE ACCEPTED RESPONSIBILITY OF HOSTING MEETING. CHADWICK INDICATED BANK STAFF WOULD PREPARE STUDY OF RESOURCE NEEDS AND REPLENISHMENT SIZES TO BE DISTRIBUTED IN JULY/AUGUST. HE WILL THEN MEET INDIVIDUALLY WITH DONORS IN SEPTEMBER/OCTOBER PRIOR TO FIRST MEETING.

3. TO FACILITATE LATER NEGOTIATIONS CHADWICK SUGGESTED GOVERNMENTS BEGIN THINKING ABOUT FIVE POINTS. 1) SIZE OF THE REPLENISHMENT RECOGNIZING NEED FOR REASONABLE LIMITED OFFICIAL USE

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PAGE 03 MANILA 06144 01 OF 02 250251Z

EXPANSION IN LENDING IN REAL TERMS. 2) ASSUMPTION THAT U.S. WOULD LAG BEHIND OTHERS AND POSSIBILITY OF ARRANGEMENT SIMILAR TO THAT INCLUDED IN IDA V AGREEMENT PERMITTING QUALIFIED U.S. CONTRIBUTION "SUBJECT TO APPROPRIATIONS". 3) POSSIBILITY OF REPLENISHMENT PERIOD OF FIVE INSTEAD OF THREE YEARS TO FACILITATE BANK PLANNING. 4) REVIEW OF REPLENISHMENT SHARES. 5) POSSIBLE ESTABLISHMENT OF SPECIAL ADF VOTING SYSTEM WHICH WOULD PRESERVE LDC SHARES BUT ASSIGN DONOR VOTES ACCORDING TO SHARE OF CONTRIBUTIONS.

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PAGE 01 MANILA 06144 02 OF 02 250255Z
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 H-01 L-03 SP-02
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LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 6144

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4. SUBSEQUENT DISCUSSION WAS LOW KEY AND INFORMAL AS REPS HAD NO INSTRUCTIONS. NO FIGURE FOR ADF III WAS MENTIONED ALTHOUGH JAPANESE SEEMED TO SUPPORT A SUBSTANTIAL INCREASE. GERMANS AND DUTCH, JOINED MORE QUIETLY BY JAPANESE, EXPRESSED CONCERN ABOUT REQUESTING FUNDS FOR ADF IF A MAJOR DONOR, I.E. U.S., WAS NOT PARTICIPATING EQUALLY OR ON SCHEDULE. AUSTRIA URGED OTHER DELEGATES TO RECOGNIZE REALITY OF U.S. POLITICAL SYSTEM AND NEED FOR COOPERATION WITH U.S. U.S. REP, IN HIS SOLE COMMENT REGARDING ADF II, THANKED AUSTRIAN FOR HIS COMMENTS, AND INDICATED THAT IT WAS PREMATURE TO DISCUSS SIZE AND TERMS OF ANY U.S. PARTICIPATION. PERHAPS IN THE FALL SITUATION MIGHT BE A LITTLE MORE CLEAR.

5. VOTING RIGHTS ISSUE RAISED RELUCTANTLY BY CHADWICK ON REQUEST EVIDENTLY OF CANADIANS. GERMANS WOULD ALSO ENJOY INCREASE IN THEIR VOTING SHARE IN ADF UNDER SUCH A SCHEME AND EXPRESSED SUPPORT, AS DID DUTCH, FOR A LIMITED OFFICIAL USE

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PAGE 02 MANILA 06144 02 OF 02 250255Z

REVIEW OF THE ISSUE. JAPANESE, WHO WOULD HAVE MOST TO GAIN, SAID NOTHING. CHADWICK APPEARED RELUCTANT TO CHANGE NATURE OF ADF AND URGED MEMBERS TO TOLERATE DISCREPANCIES BETWEEN VOTING SHARES AND ADF CONTRIBUTION. CANADIANS EXPRESSED CONCERN GROWING DISCREPANCIES MIGHT CAUSE PROBLEMS IN THEIR PARLIAMENT.

6. AUSTRALIANS SUGGESTED A REVIEW OF ADF LENDING CRITERIA

(WITH VIEW EVIDENTLY TO PROVIDE CONCESSIONAL FUNDS TO ASEAN COUNTRIES). AUSTRIANS, DUTCH, AND CANADIANS PROTESTED THAT WOULD CHANGE NATURE OF ADF AND LESSEN ITS PUBLIC SUPPORT. SWISS SUPPORTED BY ITALIANS SUGGESTED IBRD/IMF DEVELOPMENT COMMITTEE SHOULD SEEK TO COORDINATE SIZE AND TIMING OF VARIOUS IFI REPLENISHMENTS.

7. SUBJECTIVE IMPRESSION OF U.S. REP WAS THAT, OTHER THAN NORDICS AND DUTCH, MOST OTHER DELEGATES WERE THINKING "HERE WE GO AGAIN". SOME DELEGATIONS INFORMALLY EXPRESSED SURPRISE AT DEPTH AND DETAIL OF ADF III PRESENTATION. THIS WAS CONTRARY TO EARLIER UNDERSTANDING THAT MANAGEMENT WOULD MERELY TAKE OPPORTUNITY OF MEETING ON PROGRESS AND PROSPECTS OF CURRENT REPLENISHMENT TO DRAW ATTENTION TO NEED TO START THINK ABOUT SECOND REPLENISHMENT. SULLIVAN

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